

Pennsylvania Department of the Auditor General



PASBO 62ND ANNUAL CONFERENCE

“LPES: WHAT YOU NEED TO KNOW ABOUT TRANSPARENCY
AND ACCOUNTABILITY”

MARCH 22, 2017

Auditor General Eugene A. DePasquale



The mission of Pennsylvania’s Department of the Auditor General is to serve the people of Pennsylvania by improving government accountability, transparency, and the effective use of taxpayer dollars.

Department of the Auditor General Statutory Authority

- The Constitution of Pennsylvania and the Fiscal Code provide the broad authority and duty of the department to audit the commonwealth's public schools.
- Included in this authority is the right to determine if public schools spend the state funding they receive legally and for its intended purpose.
- The law does not provide the department with enforcement authority.
- The Department must refer concerns to the appropriate government or law enforcement agency for further review.

Government Auditing Accountability and Transparency

- ❖ Audits provide essential **accountability and transparency** over government programs.
- ❖ Audits provide information used for oversight, **accountability, transparency**, and improvements of government programs and operations.
- ❖ Government auditing is essential in providing **accountability** to legislators, oversight bodies, those charged with governance, and the public.
- ❖ **Accountability** to the public for the proper use and prudent management of government resources is an essential part of auditors' responsibilities.

Accountability and Transparency

What is accountability? The obligation of an individual or organization to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner.

What is transparency? A lack of hidden agendas or conditions, accompanied by the availability of full information required for collaboration, cooperation, and collective decision making.

Two Types of Review

- Performance audit
- Limited procedures engagement (LPE)



Why were LPEs Developed?



- The Bureau of School Audits transitioned to an audit approach whereby staff **prioritize engagements** based on a variety of factors.
- LPEs were created as a scaled-back version of a full performance audit.
- This audit approach of distinguishing between a LPE and a performance audit allows the Bureau's resources to be more efficiently utilized.

Why were LPEs Developed?



- LPEs were designed to be a specific and quicker review.
- Our goal was to develop limited procedures while still focusing on the principles of **accountability and transparency**, consistent with the Department's mission.
- LPEs are intended to evaluate whether there is reasonable assurance the District is adhering to specific state laws, regulations, and its own policies and procedures in the selected areas of review.

What is a LPE?



- It is similar to a desk review.
- Auditors are infrequently on site.
- It saves time and resources for both the auditor and auditee.
- Only specific areas of review are conducted, unless results warrant expanding our audit scope.
- It provides a status update on any prior findings.
- It is not done in accordance with GAGAS standards.

How Are Districts Selected for a LPE?

- Minimal or no prior findings
- Meeting statewide academic standards
- Strong financial position
- Lower levels of state funding



How are Results Shared After a LPE?

- Results are communicated to district administration by letter.
- If there is a finding, management's response is included in the letter.
- Each letter is publically available on the auditor general's website, www.PaAuditor.gov.



What Areas are Reviewed During a LPE?

A LPE primarily focuses on reviewing four main areas related to **accountability and transparency** of the LEAs operations:

- Internal controls
- Policies and procedures
- Sunshine Act compliance
- Right to Know Law compliance



LPE- Internal Controls and Policies and Procedures

Why are these areas important?

- Maintaining adequate **internal controls** is critical to providing reasonable assurance of operational objectives, such as the effectiveness and efficiency of operations, accurate and reliable financial reports, and compliance with applicable laws and regulations.
- Implementing **policies and procedures** is essential to outlining the organizational structure and day-to-day operations of an entity.

LPE- Internal Controls and Policies and Procedures

What do we review?

- Board approved policies in specific areas
- Administrative procedures in specific areas
- Organizational structure
- Key financial documents
- Statements of Financial Interest



LPE- Internal Controls and Policies and Procedures

Things to consider:

- Do you have board approved policies governing the current operation of the LEA?
- Has the administration developed written procedures specific to key areas of operations, like hiring, finances, contracting, etc.?
- Do you ensure that all required financial reports were timely and accurately filed?
- Do you ensure that Statements of Financial Interest are timely filed by all board members and other required employees?

LPE - Internal Controls and Policies and Procedures

What are we finding?

- Weak internal controls.
- Lack of written procedures.
- Deficiencies with board minutes.

Key Laws related to Accountability and Transparency

- Right to Know Law
- Sunshine Act

Right to Know (RTK) Law

What is the RTK Law?

- The RTK Law provides public access to the records of Commonwealth agencies, **local agencies**, courts, and legislative agencies.



Why is it important?

- It makes more information publically available.
- It's intended to increase public **accountability** and **transparency**.

RTK Law

What do we review?

- Board approved policies related to RTK
- Administrative procedures related to RTK
- LEA's web site
- Sample RTK requests



RTK Law



Things to consider:

- Are your policies and procedures in compliance with the RTK Law?
- Are you following your RTK policies and procedures?
- Is your RTK information posted on your web site?
- Are you meeting the required deadlines to respond to RTK requests?

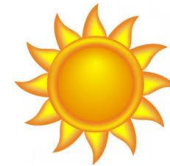
RTK Law



Important Facts:

- ✓ Taxpayers often send RTK allegations to the Department.
- ✓ The Bureau can review policies and procedures during the regularly scheduled audit, but it's not an enforcement agency.
- ✓ The RTK oversight agency is the PA Office of Open Records.

Sunshine Act



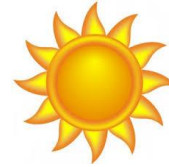
What is the Sunshine Act?

- The Sunshine Act, among other things, requires agencies to deliberate and take official action on agency business in an open and public meeting.

Why is this important?

- It provides the public with an opportunity to attend, participate, and comment before an agency takes official action.
- It's intended to increase public **accountability** and **transparency**.

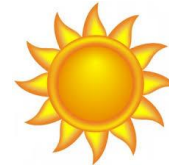
Sunshine Act



What do we review?

- Board approved policies related to the Sunshine Act
- Administrative procedures related to the Sunshine Act
- Board meeting announcements
- Board meeting minutes

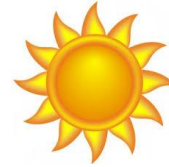
Sunshine Act



Things to consider:

- Do you have policies and procedures to require compliance with the Sunshine Act?
- Are you following your Sunshine Act policies and procedures?
- Is your documentation of board meetings in compliance with the requirements of the Sunshine Act?
- Does official board action and deliberations only occur at meetings open to the public in accordance with the Sunshine Act?

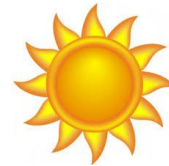
Sunshine Act



Important Facts:

- ✓ Like RTK inquiries, taxpayers often send Sunshine Act concerns to the Department.
- ✓ The Bureau can review the board's policies, procedures, and practices during the regularly scheduled audit, but again, it's not an enforcement agency.

Sunshine Act



Important Facts:

- ✓ The law doesn't provide an oversight agency for the Sunshine Act.
- ✓ Courts must enforce the law if a lawsuit is initiated by a complainant.
- ✓ If a meeting does not meet the requirements of the Sunshine Law, a court may invalidate any business transacted.

RTK Law and Sunshine Act

What we are finding:

RTK Law

- Failure to name a RTK Officer.
- Failure to publically post required RTK information.

Sunshine Act

- Failure to announce the purpose of executive sessions.
- Weaknesses in board meeting minutes.
- Failure to notify the public of special meetings.

Auditor General Updates

Shift to Electronic Documents



Beginning in 2017, all LPEs and performance audits are conducted in electronic format.

Most documents are created electronically, so this makes for a smooth transition.

Benefits:

- ❖ Reduces the need for printing and photocopying, thereby saving time and cutting costs.
- ❖ Increases efficiency in getting documents to the audit team.
- ❖ Allows fieldwork to be completed faster.
- ❖ Facilitates a faster release of the audit results.

Shift to Electronic Documents



Important Things to Remember:

Size of documents – Documents are typically emailed to the auditor. However, larger files or a large number of files may need to be placed on a USB drive and provided to the auditor.

Acceptable document file formats

- Microsoft Word, Microsoft Excel, or .pdf
- Cannot use Google Docs or similar types of portfolio software

*** Computer generated copies are preferred over scanned copies for better readability

Shift to Electronic Documents

Confidentiality – Any personal identifying information should be **deleted** from the document before providing it to the auditors.

- ✓ Social security numbers
- ✓ Student's/employee's home address

Audit Report Background Information

All reports now include detailed background section to provide context for the reader. For example, District characteristics – enrollment, # of buildings, # of staff, etc

Additional information is from PDE website, is unaudited, and includes:

- Financial Information - General Fund Balance, Total Debt, Total Revenues and Expenditures, Charter Tuition Payments, Revenue by Source
- Academic Information – SPP and PSSA scores , 4 year cohort graduation rates